

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-021
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
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Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-021

23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Steve Limrite, President
Board of Directors
23rd DAA, Contra Costa County Fair
1201 West 10th Street
Antioch, California 94509

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 23rd District Agricultural Association (DAA), Contra Costa County Fair, Antioch, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 23rd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

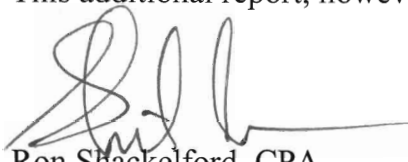
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 23rd DAA, Contra Costa County Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 23rd DAA, Contra Costa County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-021, on the 23rd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 23rd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.


For Ron Shackelford, CPA
Chief, Audit Office

October 31, 2008

**23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Petty Cash and Cash in Bank	111-118	\$ 437,387	\$ 383,428
Accounts Receivable, Net	131-133	33,736	57,381
Land	191	97,504	97,504
Buildings and Improvements, Net	192	1,551,552	962,234
Equipment, Net	193	8,987	8,481
Photovoltaic-Capital Lease, Net	194	617,143	641,830
TOTAL ASSETS		<u>2,746,309</u>	<u>2,150,858</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable & Other Liabilities	212	14,749	16,950
Current Portion of LT Debt	212.5	29,651	29,349
Deferred Income	228	-	29,096
Guaranteed Deposits	241	24,350	13,785
Compensated Absences Liability	245	63,693	59,613
Long Term Debt	250	230,518	264,454
Total Liabilities		<u>362,961</u>	<u>413,247</u>
Net Resources			
Reserve for Junior Livestock Auction	251	605	(551)
Net Resources - Operations	291	367,726	321,916
Net Resources- Capital Assets, less Related Debt	291.1	2,015,017	1,416,246
Total Net Resources Available		<u>2,383,348</u>	<u>1,737,611</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 2,746,309</u>	<u>\$ 2,150,858</u>

**23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006**

	Account Number	2007	2006
REVENUE			
State Allocation	312	\$ 124,000	\$ 124,000
Other F& E Allocation, Millennium Flex	318-340	771,839	188,614
Admissions	410	207,297	217,827
Commercial Space	415	65,486	62,538
Carnival	421	93,172	90,561
Food Concessions	422	54,937	55,834
Exhibits	430	6,898	6,667
Craft Fair	450	41,269	44,046
Attractions - Fairtime	460	103,744	100,723
Miscellaneous Fair	470	58,264	54,021
JLA - Revenue	476	9,939	12,931
Non-Fair Revenue	480	447,303	445,729
Prior Year Revenue Adjustment	490	(82,387)	(12,037)
Other Revenue	495	9,223	7,719
Total Revenue		<u>1,910,984</u>	<u>1,399,170</u>
EXPENSES			
Administration	500	319,062	330,348
Maintenance and Operations	520	462,068	436,571
Publicity	540	64,552	93,628
Attendance	560	80,831	71,565
Miscellaneous Fair	570	16,968	31,106
JLA - Expense	576	8,784	7,989
Premiums	580	34,109	28,969
Exhibits	630	36,552	40,806
Craft Fair	650	12,007	13,755
Attractions - Fairtime	660	84,237	88,112
Equipment	723	7,126	5,025
Prior Year Adjustments	800	41,990	108,604
Cash Over/Short from Ticket Sales	850	(540)	1,508
Depreciation Expense	900	97,501	73,446
Other Expenses	940		58,036
Total Expenses		<u>1,265,247</u>	<u>1,389,470</u>
RESOURCES			
Net Change - Income / (Loss)		645,737	9,700
Resources Available, January 1		1,737,611	1,727,911
Resources Available, December 31		<u>\$ 2,383,348</u>	<u>\$ 1,737,611</u>

**23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 645,737	\$ 9,700
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	23,645	(18,043)
Increase (Decrease) in Deferred Income	(29,096)	125
Increase (Decrease) in Accounts Payable	(1,899)	2,273
Increase (Decrease) in Compensated Absence Liability	4,080	(3,925)
Increase (Decrease) in Guarantee Deposits	10,565	(7,528)
Total Adjustments	<u>7,295</u>	<u>(27,098)</u>
Net Cash Provided (Used) by Operating Activities	<u>653,032</u>	<u>(17,398)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	-	43,159
(Increase) Decrease in Buildings & Improvements	(589,317)	(27,236)
(Increase) Decrease in Equipmen	(506)	8,481
(Increase) Decrease in Photovoltaic	24,686	24,686
Net Cash Provided (Used) by Investing Activities	<u>(565,137)</u>	<u>49,090</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability- Photovoltaic	(33,936)	(4,267)
Net Cash Provided (Used) by Financing Activities	<u>(33,936)</u>	<u>(4,267)</u>
NET INCREASE (DECREASE) IN CASH	53,959	27,426
Cash at Beginning of Year	383,428	356,002
CASH AT END OF YEAR	<u><u>\$ 437,387</u></u>	<u><u>\$ 383,428</u></u>

**23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 23rd District Agricultural Association (DAA) was formed in 1936, for the purpose of sponsoring, managing, and conducting the Contra Costa County Fair each year in Antioch, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 8.25% on all of the DAA's sales of merchandise. The DAA collects that sales tax from customers and remits the entire amount to the state Board of Equalization.

The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 1,100	\$ 200
Cash in Bank - Operating	240,301	203,256
Cash in Bank - Premium	6,303	00
Cash in Bank - Payroll	113	313
Cash in Bank - JLA	12,387	11,356
Cash in Bank – Time Deposits	<u>177,183</u>	<u>168,303</u>
Total Cash and Cash Equivalents	<u>\$ 437,387</u>	<u>\$ 383,428</u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 37,035	\$ 56,491
Accounts Receivable - JLA	8,030	8,189
Allowance for Doubtful Accounts	<u>(11,329)</u>	<u>(7,299)</u>
Accounts Receivable - Net	<u>\$ 33,736</u>	<u>\$ 57,381</u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$3,480,132	\$2,825,812
Less: Accumulated Depreciation	<u>(1,928,580)</u>	<u>(1,863,578)</u>
Building & Improvements - Net	<u>\$1,551,552</u>	<u>\$ 962,234</u>

Equipment	\$ 229,220	\$ 239,886
Less: Accumulated Depreciation	<u>(220,233)</u>	<u>(231,405)</u>
Equipment - Net	<u>\$ 8,987</u>	<u>\$ 8,481</u>
Photovoltaic, Capital Lease	\$ 740,573	\$ 740,573
Less: Accumulated Depreciation	<u>(123,430)</u>	<u>(98,743)</u>
Photovoltaic - Net	<u>\$ 617,143</u>	<u>\$ 641,830</u>

NOTE 5

LONG-TERM DEBT

The 23rd DAA entered into a sublease purchase agreement with the California Construction Authority (CCA) to install solar panels at the fairgrounds as a mechanism to generate electricity and reduce energy bills. Of the \$740,573 in total project cost, \$372,392 was subsidized by a utility grant from an energy company and \$368,182 was financed with a \$300,000 interest-free loan from F&E and a \$68,182 loan from CCA. To facilitate the repayment by the Fair, the CCA has determined a single monthly payment amount of \$2,803 to be repaid by the Fair for approximately 12 years. The CCA has prepared an amortization schedule showing the related reduction in principal as well as the monthly interest and insurance costs. The portions of the monthly payment representing interest and insurance costs are treated as period expenses and do not reduce either loan principal balance.

Pursuant to the amortization schedule provided by the CCA, the following represents the long-term obligation of the 23rd DAA in regard to the photovoltaic project:

CCA Photovoltaic Loan:

Loan Amount	\$ 368,182
First Payment Date	August 1, 2003
Interest Rate	5.00% to 5.50%
Monthly Payment	\$2,803
Total Outstanding at 12/31/07	\$ 260,169

Principle Payments will result in the following:

Current Year Liability	\$ 29,651
Long - Term Portion	\$ 230,518

NOTE 6

RETIREMENT PLAN

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are

actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 7

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 23rd DAA Board of Directors
1	Chief Executive Officer, 23rd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

MANAGEMENT REPORT #08-021

YEAR ENDED DECEMBER 31, 2007

23RD DISTRICT AGRICULTURAL ASSOCIATION
CONTRA COSTA COUNTY FAIR
ANTIOCH, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Alicia Lauron, CPA

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#08-021

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Steve Limrite, President
Board of Directors
23rd DAA, Contra Costa County Fair
1201 West 10th Street
Antioch, California 94509

In planning and performing our audit of the financial statements of the 23rd District Agricultural Association (DAA), Contra Costa County Fair, Antioch, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Contra Costa County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 23rd DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 23rd DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 23rd DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 23rd DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 23rd DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 23rd DAA and compliance with state laws and regulations, we identified five areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for fixed assets, accounting for long-term debt, deferred income, junior livestock auction, and personnel. We have provided eleven recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 23rd DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

An audit of the Fair's accounting for fixed assets identified that the Fair did not correctly account for all fixed asset transactions prior to closing its accounting records, and preparing the annual statement of operations (STOP). The following conditions were noted:

- a. The Fair did not properly capitalize and depreciate fixed assets as required by Generally Accepted Accounting Principle (GAAP) and the CDFA's Fixed Asset Policy and Procedure Manual. Our office noted the Fair did not record three projects (Paving, Main Exhibit Building restrooms, & Water project) at its full cost. Based on the California Construction Authority (CCA) closed project reports, the Fair understated Account #192, Buildings and Improvement, and its overall net resources by \$104,676. Accordingly, the related Account #192.1, Accumulated Depreciation, was understated by \$16,777. This is a prior year audit finding.

In addition, our office noted the Fair failed to capitalize and depreciate an automobile purchased in 2007 for \$11,888. The Department of Finance's capitalization criteria requires all fairs to capitalize all assets that cost more than \$5,000 and have a useful life of at least one year. By expensing the cost, rather than capitalizing, the Fair understated net resources at year-end.

- b. The Fair did not perform a physical inventory of state property as required. According to Account Procedures Manual (APM) and State Administrative Manual (SAM), Section 8652, the Fair is required to perform an inventory once every three years. This is a prior year audit finding
- c. The Fair does not maintain a complete property register for non-monetary items. Non-monetary items are expendable property, which cost less than \$5,000. A property register would provide control over future loss or theft of items.
- d. The Fair did not identify state property for all moveable and/or sensitive items with a permanent stamp or with property identification tags. In accordance with the Division of Fairs and Exposition (F&E) requirements, all property, regardless of whether capitalized or expensed, will be controlled, identified, and tagged.

Recommendations

1. *The Fair should make the necessary correcting journal entries to the fixed assets accounts (Account #192, Buildings and Improvements; Account #192.1, Accumulated Depreciation – Buildings and Improvements; Account #193, Equipment; and Account #193.1, Accumulated Depreciation – Equipment) as soon as reasonably possible. In the future, the Fair should fully capitalize all of its fixed assets at historical cost, which includes all costs applicable to complete the project (i.e., labor, supplies, consultation, etc.), as GAAP and the CDFA's Fixed Asset Policy and Procedures Manual require.*

2. *The Fair should develop a plan for conducting a physical inventory of its property every three years as required by the APM and SAM.*
3. *The Fair should establish a property register for all items under \$5,000. This will allow the Fair to keep track of all non-monetary items not required to be capitalized.*
4. *All movable property or equipment must be permanently stamped, tagged or marked so it may be readily identified as belonging to the Fair. Choice of method depends on the character and volume of the asset.*

ACCOUNTING FOR LONG-TERM DEBT

As of December 31, 2007, the Fair understated the long-term debt related to its solar panels project by \$20,511. Accordingly, the net resources for operations were overstated by the same amount in the year-ending financial statements. Based on our audit, we determined the Fair did not make the proper payment allocation between the reduction of the principal amount and interest expense as required when accounting for long-term debt. We noted that the total monthly payments of \$2,803 were applied only as reduction of the principal balance. Therefore, the CDFA will make an adjustment to the financial statements at December 31, 2007 to correctly report the related amount for the Fair's long-term debt account. This adjustment presents the fair's financial condition more accurately at year-end. This is a prior year audit finding.

Recommendation

5. *The Fair should make the necessary correcting journal entries to Account #250, Long-term Debt, as soon as reasonably possible. In the future, the Fair should ensure each monthly payment made is allocated correctly between the principal portion and the related expenditures to accurately reflect the financial condition of the Fair at year-end. In addition, the Fair should reconcile the long-term debt balance to the amortization schedule before closing at year end.*

DEFERRED INCOME

The Fair did not reconcile and adjust Account #228, Deferred Income, prior to closing its accounting records and preparing the year-end financial statements. Our audit noted the prior year millennium flex fund recorded in the deferred income account was used for the administration building project in 2007. However, within the corresponding general ledger, Account #228, Deferred Income, was not reduced accordingly. As a result, the Fair's liabilities were overstated by \$29,096 at year-end, while its corresponding net resources were understated by the same amount.

Recommendation

6. *The Fair should make the necessary adjusting journal entry to ensure Account #228, Deferred Income, is fairly stated within its general ledger. In addition, the Fair should annually reconcile the Deferred Income account to source documents prior to closing its accounting records and preparing the year-end financial statements.*

JUNIOR LIVESTOCK AUCTION

The Fair did not reconcile Account #251- Auction Contingency Reserve, to the corresponding Account #117- Cash in Bank - JLA. As a result, these accounts did not agree in the year-end financial records. According to the APM §1, 2.37, “the balance in the auction account, adjusted for accounts receivable and accounts payable, must equal the net resources in the Auction Contingency Reserve.” This is a prior year audit finding.

In addition, the Fair did not reconcile the amount recorded in the JLA receivable account. The Fair could not provide any support for the JLA receivable balance of \$9,163 reported in the STOP at year end. Per the Fair, the JLA receivable account should be zero. Moreover, the Fair did not expense the slaughter fees of \$1,133 charged by the vendors to offset the amount accrued in the JLA receivable. The Fair only received \$4,408 for the resale fees of \$5,541 accrued in JLA receivable since the vendors reduced the amount paid by the slaughter fees.

Recommendations

7. *The Fair should annually reconcile the JLA Accounts to ensure that Account #117, Cash in Bank - JLA, plus any JLA accounts receivable agrees to Account #251, Auction Contingency Reserve, plus any JLA liabilities.*
8. *The Fair should ensure they maintain all supporting documentation for its accounts receivable balances presented in year-ending financial statements. The purpose of this procedure is to demonstrate that the amount reported as accounts receivable will definitely be collected by the Fair at a certain point in the future.*

PERSONNEL

Review of employee files, payroll calculations, vacation/sick leave, and overtime records, as verified to time cards and Absence and Additional Time Worked Reports, Standard Form 634s, revealed the following issues:

- a. The Fair allowed two temporary employees to work in excess of the 119-day limitation within a calendar year. Although the Fair monitored the number of days worked by each temporary employee, these employees worked ranging from 120 days to 215 days in 2007. The Article VII Sec. 4(1) of the Constitution of the State of California and APM states that temporary employees may not work more than 119-days in a calendar year. This is a prior year audit finding.

In addition, the Fair did not enroll one temporary employee who exceeded the 1,000 hours limitation within a fiscal year into the Public Employee Retirement System (PERS). Once a temporary employee exceeds 1,000 hours in a given fiscal year, they automatically become members of PERS; however, Auditor noted no PERS deduction taken on the subsequent pay period after the employee exceeded the 1000 hours. This is a prior year audit finding.

The Public Employees' Retirement Law (PERL) states, “Any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90

Management Report #08-021

Antioch, California

days thereof, when an employer knows or can reasonably expect to have known of that eligibility, shall be required to pay all arrears cost for member contributions and administrative costs of five hundred dollars (\$500) per member as a reimbursement to the system's current year budget." This section was added to the PERL to clarify that it is illegal for agencies to withhold membership in the system from its employees as a cost-savings device.

- b. The Fair does not always sign and date the permanent and temporary employees' timecards to certify an approval of timecards took place. According to the Accounting Procedures Manual, timecards must be reviewed and signed by a supervisor and show hours worked and leave taken.

Recommendations

9. *The Fair should improve its efforts in controlling the number of days worked by temporary employees to ensure no employee exceeds the 119-day limitation.*
10. *The Fair should ensure it maintains accountability and enrolls temporary employees into PERS once an employee exceeds the 1,000-hour limitation in a given fiscal year. Furthermore, the Fair should review prior year payroll records and determine which employees may have exceeded the 1,000-hour limitation. These employees should be notified of their options.*
11. *The Fair should comply with the Accounting Procedures Manual by ensuring all monthly time cards are formally reviewed and approved by each employee's supervisor prior to the issuing of payroll checks.*

NON-REPORTABLE CONDITIONS

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Fair did not establish an allowance for doubtful accounts for all outstanding accounts receivable balances that are uncollectible. An allowance for doubtful accounts should be recognized in the accounting records when an account is determined as uncollectible. A review of the accounts receivable balances in the Fair's general ledger indicated \$4,030 is doubtful. Account #131.2, Allowance for Doubtful Accounts, was not increased accordingly for this amount. Therefore, the CDFA will make an adjustment to the financial statements at December 31, 2007 to accurately report the related amount for the Fair's allowance for doubtful accounts. This adjustment presents the Fair's assets more accurately.

Recommendation

The Fair should ensure the accounts receivable balance at year-end only represents collectable accounts receivable balances. An allowance for doubtful accounts adjustment should be recorded for all outstanding receivables that are deemed uncollectible.

COMPENSATED ABSENCE LIABILITY

The Fair did not adjust Account #245, Compensated Leave Liability, to reflect the accurate amount per the employee leave balances at year-end. As a result, Account #245 was understated by \$2,010 as of December 31, 2007. This caused the Fair's net resources to be understated by the same amount. This is a prior year audit finding.

In addition, the Fair allowed one permanent employee to exceed the maximum accrual of vacation/annual leave credits. The employee maintained annual leave balances at year-end totaling 668 hours. According to the employee's related bargaining unit, the maximum vacation/annual leave balance allowed to accumulate is 640 hours. This is a prior year audit finding

Recommendations

The Fair should review employee leave balances at year-end to ensure Account #245, Compensated Leave Liability, reflects the accurate liability amount. This account should be adjusted annually prior to the closing of the accounting period and preparation of the year-ending financial statements.

The Fair should ensure permanent employees do not maintain accrued hours in excess of the 640-hour limitation for annual leave. The Fair should encourage the employees with excess balances to take time off, thereby reducing their accumulated leave balances.

CASH ACCOUNTS

The Fair did not always deposit cash receipts in a timely manner. The Accounting Procedures Manual requires the Fair to make daily deposits whenever cash exceeds \$500, or when the aggregate cash and check balance exceeds \$5,000. Furthermore, no collection may remain undeposited for more than 15 working days. Our office noted that the Fair allowed some deposits exceeding the cash limits to remain undeposited for up to three days. This is a prior year audit finding.

In addition, the Fair does not perform a reconciliation of the ATM transactions on a monthly basis. Moreover, the Fair does not maintain the trial cassette close tapes and a transaction summary at each month end. ATM transactions should be reconciled at least on a monthly basis. This is a prior year audit finding.

Recommendations

The Fair should ensure cash receipts are deposited within the timeframes specified in the APM. The timely deposit of cash receipts helps minimize the risk of loss or other misuses of the cash or cash equivalents collected.

The Fair should improve its controls over cash management by reconciling the ATM transactions on a monthly basis or as necessary. Furthermore, the Fair should reconcile general ledger accounts at year-end prior to closing the accounting records and preparing the annual STOP.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



March 10, 2009

Ron Shackelford
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford,

Enclosed are our responses to the 2007 audit.

We are preparing for our 2008 audit and appreciate being able to have an early date this year.

Sincerely,

Lori Marshall
Fair Manager

Dianne Dunlap, President
Board of Directors

2009
10/10/09

Audit Responses
Audit Period January 1 – December 31, 2007
Contra Costa County Fair

ACCOUNTING FOR FIXED ASSETS:

1. *The Fair should make the necessary correcting journal entries to the fixed assets accounts (Account #192, Building and Improvements; Account #192.1, Accumulated Depreciation – Building and Improvements; Account #193, Equipment; and Account #193.1, Accumulated Depreciation – Equipment) as soon as reasonably possible. In the future, the Fair should fully capitalize all of its fixed assets at historical cost, which includes all costs applicable to complete the project (i.e., labor, supplies, consultation, etc.) as GAAP and the CFSA's Fixed Asset Policy and Procedures Manual require.*

Response: The Fair made the journal entries to correct the fixed asset accounts for the paving project, MEB restrooms, and the PT cruiser. The Fair will work with CCA and CFSA to research information regarding the “Water Project” and make correcting entries at that time.

2. *The Fair should develop a plan for conducting a physical inventory of its property every three years as required by the APM and SAM.*

Response: The fair will conduct a physical inventory of property every three years. There will be a reminder note on the depreciation schedule which is updated yearly.

3. *The Fair should establish a property register for all items under \$5,000. This will allow the Fair to keep track of all non-monetary items not required to be capitalized.*

Response: Done, December 2008

4. *All movable property or equipment must be permanently stamped, tagged or marked so it may be readily identified as belonging to the Fair. Choice of method depends on the character and volume of the asset.*

Response: Maintenance equipment has been permanently marked for along time. Office property was marked December 2008.

ACCOUNTING FOR LONG-TERM DEBT

5. The Fair should make the necessary correcting journal entries to Account #250, Long-term Debt, as soon as reasonable possible. In the future, the Fair should ensure each monthly payment made is allocated correctly between the principal portion and the related expenditures to accurately reflect the financial condition of the Fair at year-end. In addition, the Fair should reconcile the long-term debt balance to the amortization schedule before closing at year end.

Response: Done

DEFERRED INCOME

6. The Fair should make the necessary adjusting journal entry to ensure Account #228, Deferred Income, is fairly stated within its general ledger. In addition, the Fair should annually reconcile the Deferred Income account to source documents prior to closing its accounting records and preparing the year-end financial statements.

Response: The Fair made adjusting entries for two amounts totaling \$125 that were receipted in the wrong acct. The remaining \$28, 971.40 in #228 needs to remain in the Deferred Revenue account until the Fair uses those funds. With the exception of \$125, the acct #228 is fairly stated.

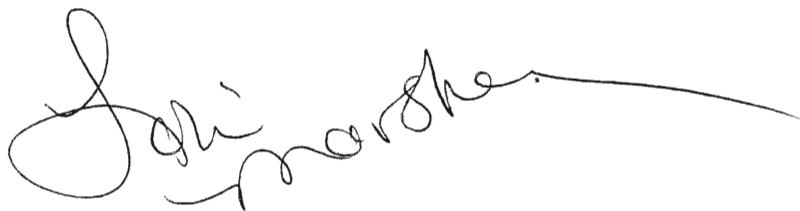
JUNIOR LIVESTOCK AUCTION

7. The Fair should annually reconcile the JLA Accounts to ensure that Account #117, Cash in Bank – JLA, plus any JLA accounts receivable agrees to Account #251, Auction Contingency Reserve, plus any JLA liabilities.

Response: The Fair will work with CFSA to correct these accounts.

8. The Fair should ensure they maintain all supporting documentation for its accounts receivable balances presented in year-ending financial statements. The purpose of this procedure is to demonstrate that the amount reported as accounts receivable will definitely be collected by the Fair at a certain point in the future.

Response: The Fair does maintain documents demonstrating accounts receivable balances at the end of the year. The Fair does demonstrate amounts collected, and if uncollected moves to an accounts receivable. The Fair will work with CFSA to show accounts accordingly.



PERSONNEL

9. *The Fair should improve its efforts in controlling the number of days worked by temporary employees to ensure no employee exceeds the 119-day limitation.*

Response: The Fair will improve its efforts to the best of its ability in controlling the number of days worked by temporary employees while still being operationally functioning, to insure that at no employee exceeds the 119 day limitation.

10. *The Fair should ensure it maintains accountability and enrolls temporary employees into PERS once an employee exceeds the 1,000-hour limitation in a given fiscal year. Furthermore, the Fair should review prior year payroll records and determine which employees may have exceeded the 1,000-hour limitation. These employees should be notified of their options.*

Response: The audit states that this is a prior year finding. Our answer to the prior year is as follows: "The Fair does maintain accountability for employees hours worked. Furthermore, the Fair did appropriately determine which employee exceeded 1000 hours and was appropriately enrolled in ARP and reported to PERS. In addition, we just concluded our PERS audit, and we were not in error during this audit period. Therefore, we feel this is not a justified finding." Our response to the finding this year is that we had one employee go over the 1000 hrs in a fiscal year and she was enrolled into ARP correctly. According to the new law that came into effect August of 2004, employees going over the 1000 hrs in a fiscal year are to be enrolled into ARP and reported to PERS, remain there their first 24 months, then become enrolled in PERS.

11. *The Fair should comply with the Accounting Procedures Manual by ensuring all monthly time cards are formally reviewed and approved by each employee's supervisor prior to the issuing of payroll checks.*

Response: The time cards are reviewed by the employees supervisors. Our maintenance department employees time cards are all signed by the Maintenance Supervisor and all Administrative staff are reviewed by Office Technician prior to inputting data on the payroll sheet. If there is any discrepancy, it is brought to the CEO's attention before processing payroll.

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 23rd DAA, Contra Costa County Fair, for its review and response. To provide clarity and perspective, we have the following additional comments on the Contra Costa County Fair's response to our audit report.

PERSONNEL

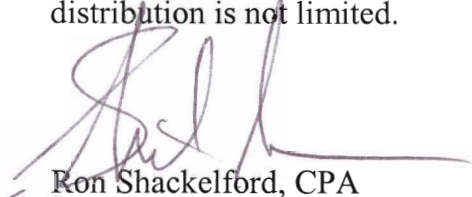
The Fair stated in their response that the Fair had one employee that went over 1,000 hours in a fiscal year and she was enrolled into ARP correctly in accordance with the new law that came into effect as of August 2004.

Our office examined the number of hours worked from July 1, 2007 to June 30, 2008 for temporary employees and identified three temporary employees exceeded the 1,000 hours in a fiscal year. Our office only noted one employee in the audit report since the Fair already enrolled one employee in ARP and the other employee was terminated in September 2008.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between October 20, 2008 and October 31, 2008. My staff met with management on October 30, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

October 31, 2008

REPORT DISTRIBUTION

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1	Chief, CDFA Audit Office